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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

MIKE GLEASON - Chairman
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
KRISTIN K. MAYES
GARY PIERCE

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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

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IN THE MATTER OF APPLICATION OF
WILHOIT WATER COMPANY, INC. ON
BEHALF OF ITS BLUE HILLS NO. 3 SYSTEM
FOR A PERMANENT RATE INCREASE.

DOCKET NO. W-02065A-07-0313

PROCEDURAL ORDER

BY THE COMMISSION:

On May 21, 2007, Wilhoit Water Company, Inc. ("Company" or "Applicant") on behalf of its Blue Hills No. 3 System ("Blue Hills") filed with the Arizona Corporation Commission ("Commission") an application for a permanent rate increase.

On June 19, 2007, the Company filed certification that it had mailed notice of the application to its customers and the Commission has not received any comments or protests in response thereto.

On June 20, 2007, the Commission's Utilities Division ("Staff") issued a Notice of Insufficiency to the Company that its rate application did not meet the sufficiency requirements of A.A.C. R14-2-103.

On September 10, 2007, Staff issued a Notice of Sufficiency on the Company's rate application and classified the Applicant as a Class E utility.

On November 9, 2007, Staff filed its Staff Report which recommended that Staff's proposed rates and charges be approved. No comments or objections were filed by the Company to Staff's recommendations which included approval of an arsenic removal surcharge mechanism ("ARSM") to address the costs of the removal of arsenic from the Company's water supply. Additionally, Staff recommended approval of long-term debt for the Company related to its ARSM, but the Applicant had not filed an application for financing approval with the Commission in conjunction with its rate case application. Further, while public notice was provided to the customers of its rate application, there has been no notification to customers of a financing application because the Company had not

1 filed an application for approval of long-term debt.

2 Under the circumstances, before the Company's rate application can be addressed, the
3 Company must file a financing application in light of Staff's recommendations in its Staff Report.
4 Additionally, public notice of the financing application which is to be filed by the Company must be
5 given to the Company's customers in a form and manner approved by Staff. Lastly, the time-frame
6 in the rate proceeding should be suspended pending Staff's review of the Company's financing
7 application after which Staff should file an amended Staff Report concerning the Company's rate
8 application and a Staff Report on the Company's financing application.

9 IT IS THEREFORE ORDERED that Wilhoit Water Company, Inc., Blue Hills No. 3 System
10 shall file a separate financing application for Commission approval of long-term debt to fund the
11 construction of its arsenic treatment facilities.

12 IT IS FUTHER ORDERED that Wilhoit Water Company, Inc., Blue Hills No. 3 System shall
13 provide public notice of its application for financing approval to the Commission in a form and
14 manner approved by the Utilities Division.

15 IT IS FURTHER ORDERED that the Commission's Utilities Division shall file an amended
16 Staff Report with respect to the rate application herein and file a separate Staff Report with the
17 respect to the financing application which is to be filed in the future.

18 IT IS FURTHER ORDERED that the time-frame in the above-captioned proceeding shall be
19 suspended until further order.

20 IT IS FURTHER ORDERED that all parties must comply with Rules 31 and 38 of the Rules
21 of the Arizona Supreme Court and A.R.S. § 40-243 with respect to the practice of law and admission
22 *pro hac vice*.

23 DATED this 3rd day of January, 2008

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MARCE E. STERN
ADMINISTRATIVE LAW JUDGE

1 Copies of the foregoing mailed/delivered
2 this 3rd day of January, 2008 to:

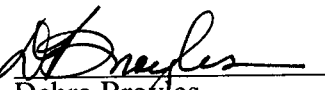
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13 By:


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15 Secretary to Marc Stern
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